

CARC, INC.

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

Year Ended June 30, 2014

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CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

October 14, 2014

To the Board of Directors
CARC, INC.

Report on the Financial Statements

We have audited the accompanying financial statement of CARC, INC. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements. The prior year summarized comparative information has been derived from the Association's June 30, 2013 financial statements and, in our report dated October 4, 2013, and we expressed an unqualified opinion on those financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion of these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of CARC, INC. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

To the Board of Directors
October 14, 2014

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information on pages 23 and 24 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated October 14, 2014, on our consideration of CARC, INC.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Gragson, Casiday & Guillory

CARC, INC.

Statement of Financial Position

June 30, 2014

With Comparative Totals as of June 30, 2013

ASSETS

	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,190,536	\$ 1,774,560
Investments	1,364,714	1,697,780
Unconditional promises to give	106,975	144,050
Accounts receivable		
Grants and contracts, net	40,371	47,410
Medicaid, net	1,000,243	950,584
Work Activity, net	99,479	97,283
Client Liability, net	1,829	1,860
Other	229,277	176,034
Accrued interest receivable	5,641	4,456
Note receivable-current portion	12,002	11,277
Merchandise inventory	63,609	60,758
Prepaid expenses-other	21,610	16,395
Total current assets	<u>5,136,286</u>	<u>4,982,447</u>
PROPERTY, PLANT, AND EQUIPMENT		
Land	761,627	761,627
Buildings	4,320,517	3,980,513
Leasehold improvements	196,385	196,385
Furniture, fixtures, and equipment	1,367,286	1,531,312
Transportation equipment	1,301,453	1,290,430
Construction in progress	570,759	264,378
	<u>8,518,027</u>	<u>8,024,645</u>
Less accumulated depreciation	<u>(4,200,359)</u>	<u>(4,089,915)</u>
	4,317,668	3,934,730
OTHER ASSETS		
Deposits	12,160	12,050
Note receivable-noncurrent portion	521,667	533,669
	<u>533,827</u>	<u>545,719</u>
	<u>\$ 9,987,781</u>	<u>\$ 9,462,896</u>

The accompanying notes are an integral part of this statement.

LIABILITIES AND NET ASSETS

	2014	2013
CURRENT LIABILITIES		
Accounts payable - trade	\$ 54,318	\$ 104,996
Accrued salaries	471,853	143,100
Payroll taxes payable	63,108	26,642
Accrued expenses - other	23,311	65,026
Total current liabilities	612,590	339,764
NET ASSETS		
Unrestricted	9,253,216	8,964,082
Temporarily restricted	121,975	159,050
	9,375,191	9,123,132

\$ 9,987,781	\$ 9,462,896
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CARC, INC.

Statement of Activities

Year Ended June 30, 2014

With Comparative Totals for the Year Ended June 30, 2013

	<u>Unrestricted</u>	<u>Temporarily restricted</u>	<u>2014 Total</u>	<u>2013 Total</u>
REVENUES, GAINS AND OTHER SUPPORT				
Federal, state and local grants/contracts	\$ 414,123	\$ -	\$ 414,123	\$ 395,781
Medicaid	8,569,130	-	8,569,130	8,122,263
United Way grant	-	106,975	106,975	144,050
Contributions	765,187	-	765,187	907,084
Membership dues	3,582	-	3,582	2,525
Auxiliary activities	977,617	-	977,617	1,133,961
Other program fees	390,933	-	390,933	334,298
Fund raising	1,899	-	1,899	2,851
Investment income	137,127	-	137,127	102,747
Gain on disposal of assets	9,400	-	9,400	20,963
Other income	363,253	-	363,253	230,419
Net assets released from restrictions				
Expiration of time restrictions- United Way	<u>144,050</u>	<u>(144,050)</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES, GAINS AND OTHER SUPPORT	<u>11,776,301</u>	<u>(37,075)</u>	<u>11,739,226</u>	<u>11,396,942</u>
EXPENSES AND LOSSES				
Program services	11,240,379	-	11,240,379	10,899,456
Supporting services				
Management and general	<u>246,788</u>	<u>-</u>	<u>246,788</u>	<u>193,347</u>
TOTAL EXPENSES AND LOSSES	<u>11,487,167</u>	<u>-</u>	<u>11,487,167</u>	<u>11,092,803</u>
INCREASE (DECREASE) IN NET ASSETS	289,134	(37,075)	252,059	304,139
NET ASSETS AT BEGINNING OF YEAR	<u>8,964,082</u>	<u>159,050</u>	<u>9,123,132</u>	<u>8,818,993</u>
NET ASSETS AT END OF YEAR	<u>\$ 9,253,216</u>	<u>\$ 121,975</u>	<u>\$ 9,375,191</u>	<u>\$ 9,123,132</u>

The accompanying notes are an integral part of this statement.

GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

CARC, INC.

Statement of Functional Expenses

Year Ended June 30, 2014

With Comparative Totals for the year ended June 30, 2013

	Program Services		
	Work Activity	Adult Habilitation	Infant Habilitation
Salaries and wages	\$ 802,581	\$ 1,134,554	\$ 115,680
Payroll taxes	67,437	96,844	9,061
Total salaries and related expenses	870,018	1,231,398	124,741
Advertising	7,480	675	1,049
Bad debts	-	(47)	-
Central office overhead	275,640	303,500	18,215
Consultants	-	-	-
Contract services	18,458	2,177	-
Dues and subscriptions	-	1,718	-
Employee benefits	21,628	58,776	8,508
Habilitative services	-	-	-
Insurance	63,200	100,106	7,266
Licenses	1,216	225	144
Medicaid provider fees	-	-	-
Medical	-	2,361	-
Miscellaneous	3,552	9,681	964
Office expense	4,879	36	-
Professional services	27,399	600	-
Purchases-resale items	126,299	-	-
Recreation expense	-	(1,736)	403
Rent	119,851	-	-
Repairs and maintenance	84,300	29,588	2,212
Seminars	-	2,865	30
Supplies	67,766	11,379	194
Telephone	6,418	3,860	802
Transportation	34,677	132,894	567
Travel	502	18,688	12,377
Utilities	66,280	16,797	-
Total expenses before depreciation expense	1,799,563	1,925,541	177,472
Depreciation expense	87,090	78,140	2,526
	<u>\$ 1,886,653</u>	<u>\$ 2,003,681</u>	<u>\$ 179,998</u>

The accompanying notes are an integral part of this statement.

Program Services					
Residential Services	Supervised Living	Respite	Eliminations	2014 Total	2013 Total
\$ 733,654	\$ 37,919	\$ 3,424,970	\$ -	\$ 6,249,358	\$ 5,962,471
65,875	3,151	299,424	-	541,792	527,134
799,529	41,070	3,724,394	-	6,791,150	6,489,605
209	-	2,269	-	11,682	22,893
-	69	9	-	31	-
339,524	25,578	1,148,627	-	2,111,084	1,899,904
52,691	1,708	-	-	54,399	57,467
16,263	680	14,712	-	52,290	51,271
2,918	392	5,756	-	10,784	9,536
7,994	624	15,166	-	112,696	119,483
284,112	-	-	(284,112)	-	-
49,816	7,427	127,525	-	355,340	334,690
3,813	300	788	-	6,486	7,703
192,489	-	-	-	192,489	184,985
18,565	-	-	-	20,926	8,607
34,274	804	49,094	-	98,369	71,509
(1,131)	-	-	-	3,784	3,953
3,600	-	-	-	31,599	36,895
-	-	-	-	126,299	121,758
-	-	-	-	(1,333)	6,330
-	13,218	-	-	133,069	129,428
35,031	526	8,547	-	160,204	177,751
-	-	-	-	2,895	4,355
169,542	297	10,696	-	259,874	280,579
5,633	1,163	5,661	-	23,537	22,394
27,126	8,061	481	-	203,806	228,280
-	-	55,625	-	87,192	95,228
38,855	-	8,284	-	130,216	123,492
2,080,853	101,917	5,177,634	(284,112)	10,978,868	10,488,096
62,110	12,873	18,772	-	261,511	411,360
<u>\$ 2,142,963</u>	<u>\$ 114,790</u>	<u>\$ 5,196,406</u>	<u>\$ (284,112)</u>	<u>\$11,240,379</u>	<u>\$10,899,456</u>

Continued

CARC, INC.

Statement of Functional Expenses - Continued

Year Ended June 30, 2014

With Comparative Totals for the year ended June 30, 2013

	Supporting Services	
	Management and General	2013 Total
Salaries and wages	\$ 82,025	\$ 76,788
Payroll taxes	6,750	6,312
Total salaries and related expenses	88,775	83,100
Advertising	12,000	14,124
Bad debts	-	-
Central office overhead	24,642	17,270
Consultants	-	106
Contract services	-	-
Dues and subscriptions	374	575
Employee benefits	-	-
Fundraising	-	-
Habilitative services	-	-
Insurance	10,419	8,775
Licenses	66	60
Medicaid provider fees	-	-
Medical	-	-
Miscellaneous	5,694	6,470
Office expense	-	-
Professional services	30,295	-
Purchases-resale items	-	-
Recreation expense	-	20
Rent	1,086	1,098
Repairs and maintenance	28,611	29,926
Seminars	186	509
Supplies	3,771	3,573
Telephone	-	-
Transportation	-	-
Travel	-	-
Utilities	14,801	9,048
Total expenses before depreciation expense	220,720	174,654
Depreciation expense	26,068	18,693
	<u>\$ 246,788</u>	<u>\$ 193,347</u>

The accompanying notes are an integral part of this statement.

CARC, INC.

Statement of Cash Flows

Year Ended June 30, 2014

With Comparative Totals as of June 30, 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	\$ 252,059	\$ 304,139
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	348,787	480,404
Gain on sale of fixed assets	(9,400)	(20,963)
Bad debts	31	-
Unrealized gain of investments	(80,823)	(78,060)
(Increase) decrease in:		
Unconditional promises to give	37,075	-
Accounts receivable	(98,059)	(11,410)
Accrued interest receivable	(1,185)	8,426
Inventory	(2,851)	(8,186)
Deposits and prepaids	(5,325)	49,122
Increase (decrease) in:		
Accounts payable - trade	(50,678)	(27,825)
Accrued salaries	328,753	(4,401)
Payroll taxes payable	36,466	(3,321)
Accrued expenses-other	(41,715)	14,615
NET CASH FROM OPERATING ACTIVITIES	713,135	702,540
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from maturity of investments	839,236	508,000
Purchase of investments	(425,347)	(994,755)
Proceeds from receipt of principal	11,277	10,596
Proceeds from sale of fixed assets	9,400	20,963
Purchases of fixed assets and construction in progress	(731,725)	(665,766)
NET CASH FROM INVESTING ACTIVITIES	(297,159)	(1,120,962)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	415,976	(418,422)
CASH AND CASH EQUIVALENTS JUNE 30, 2013	1,774,560	2,192,982
CASH AND CASH EQUIVALENTS JUNE 30, 2014	\$ 2,190,536	\$ 1,774,560

The accompanying notes are an integral part of this statement.

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of CARC, INC. is presented to assist in understanding CARC's financial statements. The financial statements and notes are representations of CARC's management, who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, which have been consistently applied in the preparation of the financial statements.

On October 31, 2012, the Company changed its legal name from Calcasieu Association for Retarded Citizens, Inc. to CARC, INC.

1. Nature of Activities

CARC, INC. was organized under Section 501 (c) (3) of the Internal Revenue Code as a nonprofit organization for the purpose of providing the following services to mentally and physically handicapped persons (clients) in Southwest Louisiana:

Work Activity - Clients provide services to area businesses on a contract basis and produce various merchandise for resale to the public.

Adult Habilitation - Adults are taught day to day living skills and work opportunities.

Infant Habilitation - Infants through three years of age are taught basic developmental skills.

Residential Services - The Association maintains six community homes which house six clients each on a "round the clock" supervised basis.

Supervised Independent Living - Clients are placed in local apartments and are supervised on a day-to-day, part-time basis.

Respite Services - The Association provides sitters for parents and guardians of clients.

The majority of the funding for the above programs is provided by Medicaid and the State offices of the Louisiana Department of Health and Hospitals. Without this funding, the Association would be forced to find alternative funding sources in order to maintain operations.

2. Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, CARC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

4. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Cash and Cash Equivalents

The Association considers all cash and investments with an initial maturity of three months or less to be cash equivalents.

6. Investments

Investments consist of U.S. Treasury Notes and Certificate of Deposits with a cost of \$1,188,903 which do not meet the Association's definition of cash equivalents. The investments are carried at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets in the accompanying statement of activities. Accumulated unrealized appreciation in assets classified as investments at June 30, 2014 was \$175,811.

7. Property, Plant, and Equipment

The Association follows the practice of recording assets at cost or estimated fair value of donated assets at date of donation. All assets with estimated useful lives in excess of one year and \$5,000 are capitalized. Depreciation and amortization is provided on the straight-line method at rates calculated to allocate the recorded amounts over the estimated useful lives of the assets, ranging from 2 to 50 years. Depreciation and amortization amounted to \$348,787, of which \$61,208 is included in central office overhead expense in the accompanying statement of functional expenses.

Construction in progress of \$ 570,759 at June 30, 2014 consists of the following projects:

	<u>Estimated Completion Date</u>	<u>Total Budgeted</u>	<u>Construction In Progress</u>
Hodges street patio homes (2)	October 2014	\$ 311,193	\$ 266,771
Wedgewood home	October 2014	\$ 321,243	<u>303,988</u>
			<u>\$ 570,759</u>

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Expense Allocation

Direct costs are charged directly to the grants and programs in which the expense is incurred or they are allocated to the grants and programs based on the proportion of benefit resulting from the particular expenditure. All other costs not identifiable as direct charges are regarded as "central office overhead" and accumulated in a pool. This pool is distributed monthly to the grants and programs based on the proportion of each grant's/program's direct costs to total direct costs, computed on a monthly basis.

9. Eliminations

For report purposes, all significant inter-departmental accounts and transactions have been eliminated.

10. Income Taxes

The Association is a nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and generally is not subject to income taxes according to the provisions of Federal and Louisiana State income tax laws and regulations. In addition, CARC has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509(a)(1) of the code.

Tax years 2011 through 2013 remain subject to examination by the IRS.

11. Donated Services

No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services; however, a substantial number of volunteers have donated significant amounts of their time to the organization's program services.

12. Designated Net Assets

At its discretion, the Board may designate revenue for specific purposes. Any Board-designated funds would be segregated under the unrestricted net assets.

13. Inventory

Inventory is stated at the lower of cost or market. Cost is determined under the first-in, first-out method of accounting.

14. Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$82,272 and \$79,463 for 2014 and 2013, respectively.

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

15. Restricted and Unrestricted Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

16. Temporarily Restricted Net Assets

Temporarily restricted net assets at June 30, 2014 include the principal amount of a donation received in a prior fiscal year. The donor placed certain stipulations on the use of these funds. As of June 30, 2014, none of the original donation of \$15,000 had been expended.

Also included in temporarily restricted net assets as of June 30, 2014 is the remaining United Way allocation yet to be received for fiscal year 2014 amounting to \$106,975.

17. Promises to Give

Contributions are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine uncollectible promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

18. Prior year Comparative Information

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

19. Subsequent Events

Management has evaluated subsequent events through October 14, 2014, the date the financial statements were available to be issued.

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE B - CASH AND CASH EQUIVALENTS

As of June 30, 2014, cash and cash equivalents consisted of the following:

Operating accounts, net of outstanding items	\$ 1,501,140
Money market account	<u>689,396</u>
	<u>\$ 1,766,331</u>

At June 30, 2014, the carrying amount of operating accounts was \$1,501,140 and the bank balance was \$1,586,943, of which \$273,583 is secured from risk by federal depository insurance, and the balance of \$1,313,360 is unsecured. In addition, a significant risk of loss existed at June 30, 2014 with regard to the monies invested in money market accounts and investments because those funds are not insured against market risk.

NOTE C - ACCOUNTS RECEIVABLE

Accounts receivable amounts in the accompanying statement of financial position are reported net of the following allowance for doubtful accounts:

Contracts	<u>\$ 6,333</u>
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NOTE D - LONG TERM NOTE RECEIVABLE

Louisiana Disabled Persons Finance Corporation (LADPFC):
First Mortgage note; secured by a mortgage lien,
payable in monthly installments of principle and interest
of \$3,751 (interest at 6.25% per annum), maturity at February 2036.

\$ 533,669

Less current maturities

12,002

Long-term note receivable, net of current portion

\$ 521,667

In February of 2006, Louisiana Disabled Persons Finance Corporation paid in full a loan to U.S. Department of Housing and Urban Development. The funding to pay the loan balance was derived from CARC, INC. Interest rate on CARC's thirty year mortgage is to be fixed for five years at 6.25% and terms are to be reviewed every five years. The Corporation has signed a use agreement with HUD to abide by HUD regulations, as they apply to this project, and the continued Section 8 contract.

NOTE E - MEDICAID PROVIDER FEE

The Association's residential services program is required, under Louisiana R.S. 46:2601-2605, to pay to the Department of Health and Hospitals a fee per patient day for each bed which is in use or reserved for a patient. The total of such fees for the year ended June 30, 2014 is \$192,489.

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE F - RELATED PARTY TRANSACTIONS

Included in accounts receivable-other at June 30, 2014 are operating advances to LADPFC of \$28,860, to Louie Street Apartments, Inc. of \$3,248, and to Consumer Advocacy & Resource Coordination, Inc. of \$133,311, affiliated non-profit organizations under common board of directors. In addition, Louisiana Disabled Persons Finance Corporation paid \$7,200 and Louie Street Apartments, Inc. paid \$6,565 in management fees to CARC, INC. for the year ended June 30, 2014. Also, see Note D for a loan between LADPFC and CARC, INC.. Summarized financial data of Louisiana Disabled Persons Finance Corporation, Louie Street Apartments, Inc., and Consumer Advocacy & Resource Coordination, Inc., as of and for the year ended June 30, 2014 is as follows:

Louisiana Disabled Person Finance Corporation

Total Assets	\$ 180,384
Total Liabilities	<u>569,248</u>
Net Assets (deficit)	<u>\$ (388,864)</u>
 Total Revenue	 \$ 140,178
Total Expenses	<u>142,547</u>
Change in Net Assets	<u>\$ (2,369)</u>

Louie Street Apartments, Inc.

Total Assets	\$ 1,576,060
Total Liabilities	<u>1,373,392</u>
Net Assets (deficit)	<u>\$ 202,668</u>
 Total Revenue	 \$ 153,308
Total Expenses	<u>151,706</u>
Change in Net Assets	<u>\$ 1,602</u>

Consumer Advocacy & Resource Coordination, Inc.

Total Assets	\$ 25,386
Total Liabilities	<u>139,585</u>
Net Assets (deficit)	<u>\$ (114,199)</u>
 Total Revenue	 \$ 148,764
Total Expenses	<u>189,927</u>
Change in Net Assets	<u>\$ (41,163)</u>

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE G – INVESTMENTS

The fair values of short-term investments totaled \$1,788,919 at June 30, 2014. The following schedule summarizes investment returns and their classification in the statement of activities for the year ended:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
Interest income	\$ 56,304	\$ -	\$ 56,304
Net unrealized gain (loss)	<u>80,823</u>	<u>-</u>	<u>80,823</u>
Total investment return	<u>\$ 137,127</u>	<u>\$ -</u>	<u>\$ 137,127</u>

NOTE H - RETIREMENT PLAN

Effective September 1, 1997, a retirement savings plan and trust for the benefit of eligible employees was adopted. The plan covers substantially all of the employees, with the exception of client employees, of CARC, INC. who have attained the age of 21 and completed one year of service (at least 1,000 hours of service in a plan year). The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Each participant may elect to have Compensation deferred by up to the maximum percentage allowable not to exceed the limits of Code Sections 401(k), 402(g), 404 and 415. The maximum annual amount that an employee could contribute as an elective deferral for calendar year 2014 was \$16,500 per year. For the year ended June 30, 2014, salary deferrals by eligible participants totaled \$ 97,766. The employer may make a matching contribution to each participant based on the participant's elective deferrals in a percentage set by the employer prior to the end of each plan year. For the year ended June 30, 2014, the Board of Directors adopted an employer contribution of 50% of the first 6% that an employee contributes. Additional amounts may be contributed at the option of the Board of Directors. For the year ended June 30, 2014, the employer match totaled \$40,348.

NOTE I - PROMISES TO GIVE

Unconditional promises to give at June 30, 2014 are as follows:

2014 United Way Allocation	<u>\$ 106,975</u>
Receivable in less than one year	\$ 106,975
Receivable in one to five years	-
Receivable in more than five years	<u>-</u>
Total unconditional promises to give	106,975
Less discounts to net present value	-
Less allowance for uncollectible promises receivable	<u>-</u>
Net unconditional promises to give at June 30, 2014	<u>\$ 106,975</u>

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE J - CENTRAL OFFICE OVERHEAD

Included in central office overhead expense in the accompanying Statement of Functional Expenses are the following natural expense categories:

Salaries and wages	\$ 1,267,565
Payroll taxes	<u>99,458</u>
Total salary and related expenses	1,367,023
Advertising	58,590
Bad debt	744
Bank charges	16
Consultants	1,226
Contract services	38,234
Dues and subscriptions	1,732
Employee benefits	144,478
Insurance	138,809
Licenses	114
Miscellaneous	8,404
Office expense	11,164
Professional services	21,331
Recreation expense	-
Rent	1,600
Repairs and maintenance	89,221
Seminars	1,491
Supplies	96,268
Telephone	14,293
Transportation	28,240
Travel	32,258
Utilities	<u>27,163</u>
Total expenses before depreciation expense	2,082,399
Depreciation expense	<u>61,208</u>
Total central office overhead	<u>\$ 2,143,607</u>

NOTE K – OPERATING LEASES

The Association leases three retail store spaces for its Treasure Chest stores. The Lake Charles store has a base monthly rental amount of \$5,876. This lease expires December 2015 with an option to renew for a period of an additional three years. The Moss Bluff store has a base monthly rental amount of \$2,061. This lease expires December 2015. The Deridder store has a base monthly rental amount of \$1,800. This lease expires June 2016. Lease expense amounted to \$119,851 for the year ended June 30, 2014. Minimum lease payments on long-term operating leases by year, and in aggregate, are as follows:

<u>Year ended</u>	
June 30, 2015	\$ 116,707
June 30, 2016	70,086

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE K – OPERATING LEASES (CONTINUED)

The Association is the lessor of multiple rental properties under operating leases. The lease agreements stipulate month-to-month leases for \$6,850 per month total. Following is a summary of the properties leased at June 30, 2014:

Homes	\$ 684,648
Less: accumulated depreciation	<u>(99,517)</u>
	585,131
Land	<u>88,490</u>
	<u>\$ 673,621</u>

NOTE L – RISK MANAGEMENT

The Association is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Association maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Association. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE M – FAIR VALUE MEASUREMENTS

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for sale on a recurring basis.

FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

CARC, INC.

Notes to Financial Statements

June 30, 2014

NOTE M – FAIR VALUE MEASUREMENTS (CONTINUED)

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2014 are as follows:

	<u>Fair Value</u>	<u>Quoted prices in Active markets Identical assets Level 1</u>	<u>Significant Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>	<u>Cost</u>
Short-term investments:					
Mutual Funds	\$ 494,724	\$ 494,724	\$ -	\$ -	\$ 319,904
U.S. Government					
Securities	<u>869,990</u>	<u>869,990</u>	<u>-</u>	<u>-</u>	<u>868,999</u>
Totals	<u>\$ 1,364,714</u>	<u>\$ 1,364,714</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,188,903</u>

SUPPLEMENTARY INFORMATION

CARC, INC.

Schedule of Support, Revenues, and Expenses - Departmentalized

Year Ended June 30, 2014

	Central Office	Work Activity	Adult Habilitation	Infant Habilitation
Public support and revenue				
Federal, state and local grants/contracts	\$ -	\$ -	\$ 300,307	\$ 67,471
Medicaid	-	-	1,238,190	-
United Way grant	-	10,000	10,670	86,305
Contributions	12,133	746,508	4,947	-
Total public support	12,133	756,508	1,554,114	153,776
Revenue				
Membership dues	3,582	-	-	-
Other program fees	13,765	-	284,112	-
Fund raiser income	634	265	1,000	-
Auxiliary activities	-	977,617	-	-
Investment income (loss)	137,096	31	-	-
Gain on disposal of assets	-	9,400	-	-
Other income	73,695	267,361	4,914	2,001
Total revenue	228,772	1,254,674	290,026	2,001
Total public support and revenue	240,905	2,011,182	1,844,140	155,777
Expenses and losses				
Program services	-	1,886,653	2,003,681	179,998
Supporting services				
Management and general	246,788	-	-	-
Total expenses and losses	246,788	1,886,653	2,003,681	179,998
Excess (deficiency) of public support and revenue over expenses	\$ (5,883)	\$ 124,529	\$ (159,541)	\$ (24,221)

<u>Residential Services</u>	<u>Supervised Independent Living</u>	<u>Respite</u>	<u>Eliminations</u>	<u>Total</u>
\$ -	\$ 16,455	\$ 29,890	\$ -	\$ 414,123
1,801,626	320,028	5,209,286	-	8,569,130
-	-	-	-	106,975
1,500	-	100	-	765,188
<u>1,803,126</u>	<u>336,483</u>	<u>5,239,276</u>	<u>-</u>	<u>9,855,416</u>
-	-	-	-	3,582
377,167	-	-	(284,112)	390,932
-	-	-	-	1,899
-	-	-	-	977,617
-	-	-	-	137,127
-	-	-	-	9,400
-	12,763	2,519	-	363,253
<u>377,167</u>	<u>12,763</u>	<u>2,519</u>	<u>(284,112)</u>	<u>1,883,810</u>
2,180,293	349,246	5,241,795	(284,112)	11,739,226
2,142,963	114,790	5,196,406	(284,112)	11,240,379
-	-	-	-	246,788
<u>2,142,963</u>	<u>114,790</u>	<u>5,196,406</u>	<u>(284,112)</u>	<u>11,487,167</u>
<u>\$ 37,330</u>	<u>\$ 234,456</u>	<u>\$ 45,389</u>	<u>\$ -</u>	<u>\$ 252,059</u>



GRAGSON, CASIDAY & GUILLORY, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
RICHARD W. CASIDAY, C.P.A.
RAYMOND GUILLORY, JR., C.P.A.
GRAHAM A. PORTUS, E.A.
COY T. VINCENT, C.P.A.
MICHELLE LEE, C.P.A.
BRADLEY J. CASIDAY, C.P.A., C.V.A.
JULIA W. PORTUS, C.P.A.
KATHRYN BLESSINGTON, C.P.A.
JACKLYN BRANEFF, C.P.A.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

October 14, 2014

To the Board of Directors
CARC, INC.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of CARC, INC. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 14, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered CARC, INC.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CARC, INC.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
October 14, 2014
Page Two

Compliance and Other Matters

As part of obtaining reasonable assurance about whether CARC, INC.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Gragson, Casiday & Guillory